



THE SECRETARY OF TRANSPORTATION
WASHINGTON, D.C. 20590

May 14, 2008

The Honorable Nancy Pelosi
Speaker of the House of Representatives
Washington, DC 20515

Dear Madam Speaker:

I am pleased to submit the enclosed draft bill for your consideration. The purpose of this bill is

“To authorize certain maritime programs of the Department of Transportation, and for other purposes.”

The proposal seeks to enhance the operations of the United States Maritime Administration through amendments and improvements to certain maritime programs.

The proposal would provide the Secretary of Transportation (Secretary) authority to donate non-retention vessels to foreign Governments for use as training vessels and would clarify the disposal of non-retention government vessels.

The proposal would allow the Maritime Administration to retain proceeds from the sale and scrapping of non-retention vessels in the Vessel Operations Revolving Fund. The proposal would also allow the Maritime Administration to deposit insurance proceeds and recoveries resulting from accident litigation and arbitration awards from third parties into the Vessel Operations Revolving Fund, instead of such funds being deposited into the Treasury, allowing the Agency to be “made whole” for damage to its vessels.

The proposal would exempt Academy graduates who serve on active duty for five years from certain performance service obligations under the commitment agreement requirements. The proposal would allow the United States Merchant Marine Academy (Academy) and State maritime academies to collect the cost of tuition and student incentive payments (SIP) from certain graduates defaulting on their service obligations. The proposal would also allow the Academy to contract with individuals as personal service contractors to serve as adjunct professors.

The proposal would allow the Secretary to waive the requirements that an individual pass the Coast Guard licensing examination as a condition of graduation from a State maritime academy. The waiver would allow accommodation for individuals with disabilities. The proposal would also increase SIP from \$4,000 to \$8,000 per academic year and service obligation requirements for students receiving SIP from six (6) years to eight (8) years relating to time in reserves and Coast Guard licensing.

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The Honorable Nancy Pelosi

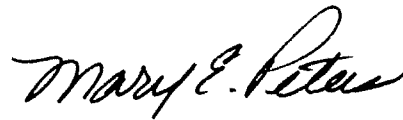
The proposal would also authorize the Secretary to provide for the construction and reconstruction of suitable training vessels with modern equipment and instruments to replace vessels furnished to State maritime academies. The proposal would likewise provide the Secretary with the authority to administer an intermodal and marine facilities program comprising of port infrastructure development or expansion. The program would be subject to the availability of appropriations. It would also extend authority for the Marine War Risk program from December 31, 2010 until December 31, 2015.

Lastly, the proposal would provide tax relief for U. S. citizen merchant mariners serving on Liquefied Natural Gas vessels operated under the registry of a foreign country.

The Office of Management and Budget advises that there is no objection to the presentation of this proposed legislation to Congress, and that its enactment would be in accord with the program of the President.

An identical letter has been sent to the President of the Senate.

Sincerely yours,

A handwritten signature in black ink, appearing to read "Mary E. Peters". The signature is fluid and cursive, with the first name "Mary" being the most prominent.

Mary E. Peters

Enclosure

Draft bill and section-by-section analysis



THE SECRETARY OF TRANSPORTATION
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May 14, 2008

The Honorable Richard B. Cheney
President of the Senate
Washington, DC 20510

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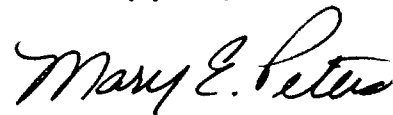
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Sincerely yours,

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Mary E. Peters

Enclosure

Draft bill and section-by-section analysis

A BILL

To authorize certain maritime programs of the Department of Transportation,
and for other purposes.

*Be it enacted by the Senate and House of Representatives of the United States of
America in Congress assembled,*

SECTION 1. SHORT TITLE.

This Act may be cited as the “Maritime Administration Authorization Act for
Fiscal Year 2009”.

SEC. 2. AUTHORIZATION OF APPROPRIATIONS FOR FISCAL YEAR 2009.

Funds are hereby authorized to be appropriated, as Appropriations Acts may
provide, for the use of the Department of Transportation for the Maritime Administration
as follows:

(a) OPERATIONS AND TRAINING.- For expenses necessary for
operations and training activities, not to exceed \$117,848,000 for the fiscal year
ending September 30, 2009, of which \$8,150,000 is for capital improvements at
the U. S. Merchant Marine Academy, to remain available until expended; and of
which \$8,306,000 shall remain available until expended for maintenance and
repair for schoolships at State Maritime Schools.

(b) MARITIME GUARANTEED LOANS.- For administrative expenses
related to loan guarantee commitments under Chapter 537, title 46, United States
Code not to exceed \$3,531,000, which shall be paid to the appropriation for
“Operations and Training”, Maritime Administration.

(c) SHIP DISPOSAL.- For disposal of non-retention vessels in the
National Defense Reserve Fleet, \$18,000,000, to remain available until expended.

(d) MARITIME SECURITY PROGRAM.- For necessary expenses to
maintain and preserve a U.S.-flag merchant fleet to serve the national security
needs of the United States, \$174,000,000 to remain available until expended.

SEC. 3. DONATIONS OF NON-RETENTION VESSELS TO FOREIGN GOVERNMENTS FOR USE AS TRAINING VESSELS.

Section 57103 of title 46, United States Code is amended by adding the following
new subsection:

“(g) Vessel Transfers to Foreign Governments for Training Ships .--The
Secretary may transfer all or such right, title, and interest, of the United States, in

any vessel of the National Defense Reserve Fleet, which is in non-retention status, as well as any additional equipment aboard other non-retention vessels if--

“(1) the recipient is a foreign government or an instrumentality thereof;

“(2) the recipient uses such vessel as a maritime training vessel;

“(3) the recipient agrees to such terms and conditions for the transfer as the Secretary may determine; and

“(4) The Secretary shall require as condition for such transfer that:

“(i) the transfer is made for training purposes only and the vessel will not be used for any other purpose without the consent of the Secretary;

“(ii) the foreign government agrees to the terms and conditions governing the vessel’s ultimate disposal or recycling, as determined by the Secretary;

“(iii) if any of the terms and conditions of the transfer are violated, at the option of the Secretary of Transportation, all right, title and interest to the vessel shall revert to the United States and the Foreign Government shall transfer the vessel to the United States; and

“(iv) the vessel shall never be operated in the foreign or domestic trade of the United States in competition with a vessel owned by a citizen of the United States and documented under the laws of the United States.”.

SEC. 4. DISPOSAL OF NON-RETENTION GOVERNMENT VESSELS

(a) Subsection 5405(c)(1)(A) of title 16, United States Code, is amended to read as follows:

“(A) to apply the priority system for disposing of vessels, as determined by the Secretary, which shall include provisions requiring the Maritime Administration to:

(i) dispose of all deteriorated high priority ships that are available for disposal, within 12 months of their designation as such;

(ii) give priority to the disposition of those vessels most significantly posing a danger to the environment or costing the most to maintain;

(iii) set as a target an annual rate of ship disposal that is equal to or greater than the average number of vessels annually designated as nonretention; and

(iv) report, no later than 1 year after the date of enactment of this subsection, and every 6 months thereafter, the Secretary of Transportation, in coordination with the Secretary of the Navy, to the Committee on Transportation and Infrastructure, the Committee on Resources, and the Committee on Armed Services of the House of Representatives, and the Committee on Commerce, Science, and Transportation and the Committee on Armed Forces of the Senate, on the progress made in the Comprehensive Management Plan established in section 3505 of Public Law 109-163. This reporting requirement supersedes all other reporting requirements required by Section 3502(e) of Public Law 106-398.”.

SEC. 5. DISTRIBUTION OF PROCEEDS FROM THE SALE OF NON-RETENTION VESSELS IN THE NATIONAL DEFENSE RESERVE FLEET.

Section 5405(a)(1) of title 16, United States Code, is amended to read as follows:

“(1) In General.

“Notwithstanding any other provision of law, the amount of funds credited in the fiscal year to the Vessel Operations Revolving fund established by 46 U.S.C. 50301, that is attributable to the sale of non-retention vessels in the National Defense Reserve Fleet that are scrapped or sold under chapter 571 of title 46, United States Code shall be available until expended as follows:

“(A) 50 percent shall be available to the Administrator of the Maritime Administration for such acquisition, maintenance, repair, reconditioning, or improvement of vessels in the National Defense Reserve Fleet as is authorized under other Federal law.

“(B) 25 percent shall be available to the Administrator of the Maritime Administration for the payment or reimbursement of expenses incurred by or on behalf of State maritime academies or the United States Merchant Marine Academy for facility or training ship maintenance and repair, modernization, and for the purchase of simulators and fuel.

“(C) 25 percent, all funds received heretofore and after shall be available for the National Defense Reserve Fleet, the United States

Maritime Academy, the State maritime academies, and for maritime heritage grants, as determined by the Secretary of Transportation.”.

SEC. 6. RESERVE TRAINING COMPLIANCE AND ARMED FORCES PERFORMANCE REPORTING REQUIREMENT FOR UNITED STATES MERCHANT MARINE ACADEMY GRADUATES.

(a) Section 51306 of title 46, United States Code, is amended by deleting subparagraph (a)(4) and replacing it with the following:

“(4) Additional Service Requirements.--In the case of an individual who executes a service obligation agreement under subsection (a) after the date of enactment of the Maritime Administration Authorization Act for Fiscal Year 2009 and becomes a graduate of the Academy, the graduate is subject to the following requirements and considerations:

“(A) The graduate shall serve as a commissioned officer in the United States Navy Reserve (including the Merchant Marine Reserve, United States Navy Reserve), or any other reserve component of an Armed Force of the United States (including the National Guard Reserve) for a total of 8 years following graduation. As determined by force requirements, each Service may require some or all graduates entering that Service Reserve Component to serve at least 5 years of such service in a Selected Reserve status. If the graduate leaves the Selected Reserve after 5 years of service, the graduate will remain in an Individual Ready Reserve component until a total of 8 years of reserve service has been completed.

“(B) If the graduate is employed in a Maritime Administration-approved sailing position afloat, the Secretary of the Department in which the Reserve service is being served is authorized to and shall make reasonable efforts to adjust such graduate’s reserve duties by reason of such graduate’s work afloat. The Secretary of the Department in which the Reserve service is being served is also authorized to allow any graduate working afloat to enter some other reserve unit in the Armed Forces of the United States for the remainder of the service obligation term or to waive or otherwise modify the provisions of this subparagraph.

“(C) The graduate entering into active duty in an Armed Force of the United States is not required to comply with the requirements of this subparagraph so long as he or she continues to be active duty members of the Armed Forces of the United States.

“(D) The requirements of this subparagraph may be waived or modified by the Secretary of Defense with the consent of the graduate.

“(E) Nothing contained herein shall be construed to require the Armed Forces of the United States to appoint or tender the graduate as a commissioned officer. Such determination shall rest exclusively with the Secretary of the Department in which the commission is being requested.”.

SEC. 7. COLLECTION OF COST OF TUITION AND STUDENT INCENTIVE PAYMENTS FROM CERTAIN GRADUATES DEFAULTING ON SERVICE OBLIGATIONS

(a) COLLECTION OF COST OF TUITION FROM GRADUATES OF THE UNITED STATES MERCHANT MARINE ACADEMY DEFAULTING ON SERVICE OBLIGATIONS.-- 46 U.S.C. 51306 is amended to add a new subparagraph (g), which shall read as follows:

“(g) All monies heretofore or hereinafter collected under the terms of this section shall be available for use for the purposes of this Chapter 513.”

(b) COLLECTION OF COST OF STUDENT INCENTIVE PAYMENTS FROM GRADUATES OF THE STATE MARITIME ACADEMIES.--46 U.S.C. 51509 is amended to add a new subparagraph (h), which shall read as follows:

“(h) All monies heretofore or hereinafter collected under the terms of this section shall be available for use for the purposes of this Chapter 515.”.

SEC. 8. TEMPORARY PROGRAM AUTHORIZING CONTRACTS WITH ADJUNCT PROFESSORS AT THE UNITED STATES MERCHANT MARINE ACADEMY.

The Maritime Administrator or his designees are authorized in the administration of the United States Merchant Marine Academy (in this section referred to as the ‘Academy’) to establish a temporary program (in this section referred to as the ‘program’) for the purpose of contracting with individuals as personal services contractors (contractors) to provide services as adjunct professors at the Academy subject to the following conditions:

- (1) The Maritime Administrator determines that there is a need for adjunct professors and the need is not of permanent duration;
- (2) The Maritime Administrator approves the contracting for an adjunct professor;
- (3) The contract duration for the adjunct professor, including options, does not exceed one year, unless the Maritime Administrator makes a finding that exceptional circumstances justify an extension of up to one additional year; and

(4) Not more than a total of twenty-five individuals are actively providing services during any one academic trimester (three trimesters per academic year), or equivalent, as contractors under the program;

(5) The authority to award contracts under the temporary program authorized by this section shall terminate on December 31, 2009. A contract entered into prior to the termination date under this subsection may remain in effect for a period not to exceed 6 months after such termination date; and

(6) Any contract entered into by the Academy for the services of an adjunct professor before the effective date of this section shall remain in effect for the trimester or trimesters for which the services were contracted.

SEC. 9. AMENDMENT TO VESSEL OPERATIONS REVOLVING FUND.

Section 50301(g) of title 46, United States Code, is amended by inserting the words “or for loss of or damage to” after the words “from charter operations of”.

SEC. 10. STATE MARITIME ACADEMIES

(a) 46 U.S.C. 51506 is amended by:

(1) deleting the word “and” at the end of subparagraph (a)(2);

(2) inserting the word “and” at the end of subparagraph (a)(3); and

(3) adding a new subparagraph (a)(4) to read as follows:

“(4) With the consent of the State maritime academy involved and for good cause shown by such State maritime academy, the Secretary is authorized to waive or modify the conditions set forth in section (a).”

(b) Title 46 U.S.C. 51509(b) is amended by deleting “\$4,000” and inserting “\$8,000” thereof and by added the word “tuition” after the word “uniforms: The provisions of this section shall apply to all individuals receiving student incentive payments after the effective date of this Act, regardless of when they executed their agreements.

(c) (i) 46 U.S.C. 51509(d)(3) is amended by deleting the number “6” and inserting the number “8”

(ii) 46 U.S.C. 51509(d)(4) is amended by deleting the number “6” and inserting the number “8”

(iii) the provisions of these amendments to 46 U.S.C. 51509(d) shall apply only to individuals executing agreements after the effective date of this Act.

(d) 46 U.S.C. 51509(e)(1) is amended by striking the words “2 academic years” and substituting the words “1 academic year and has attended a State maritime academy for more than one academic year”.

(e) Amend 46 U.S.C. 51504(f) by adding a new subsection (3) which shall provide as follows:

“(3) The Secretary is authorized to expend any unobligated year end balances of funds appropriated for Student Incentive Payments for fuel costs.”

SEC. 11. CONSTRUCTION AND RECONSTRUCTION OF REPLACEMENT VESSELS FOR STATE MARITIME ACADEMIES.

Section 51504 of title 46, United States Code, is amended by adding a new subparagraph (h) to read as follows:

“(h) The Secretary is authorized, from any monies hereafter appropriated or made available, to provide for the construction and reconstruction of suitable training vessels with modern equipment and instruments to replace vessels otherwise furnished to State maritime academies, which are maintaining schools under this section 51504. Such vessels shall be outfitted and equipped by the Secretary for ancillary missions related to National Security, Homeland Defense, and Emergency Response in consultation with the Secretaries of Defense and Homeland Security.”.

SEC. 12. AUTHORITY TO ESTABLISH PORT IMPROVEMENT ENTERPRISE PROGRAM.

(a) The Secretary of Transportation, through the Maritime Administrator, is authorized to establish the Port Improvement Enterprise Program (hereafter the Program) and to administer funds appropriated for the improvement of port facilities. Amounts appropriated or otherwise made available for any fiscal year for an intermodal or marine facility comprising a component of the Port Improvement Enterprise Program shall be transferred to and administered by the Administrator.

(b) There are authorized to be appropriated such sums as may be necessary to carry out this section. Of appropriated funds made available for the Program there are authorized to be expended for administration of the Program not more than 3 percent.

(c) For the purposes set forth in section (a), the Administrator shall be authorized to:

(1) receive funds provided for the Program from non-federal and private entities that have a specific agreement or contract with the Maritime Administration to further the purposes of this section, and deposit such funds as provided in this section;

(2) coordinate with appropriate agencies to expedite the National Environmental Policy Act process for improvement of port facilities to relieve port congestion, to increase port security, or to provide greater access to port facilities;

(3) seek to coordinate all reviews or requirements with relevant and appropriate local, state, or federal agencies;

(4) provide such technical assistance to port authorities or commission or its subdivisions and agents as needed for project planning, design, and construction; and

(5) encourage such public/private partnerships as may be necessary for the development or financial support of the project as the Administrator deems necessary.

(d) An intermodal or marine facility described in subsection (a) is deemed to be eligible to be an intermodal surface freight transfer facility for the purposes of section 181(8)(D) of title 23, United States Code.

(e) To administer the Program, there is established in the Treasury of the United States a fund to be known as the "Port Improvement Enterprise Fund" (the "Fund"), which shall be managed by the Administrator. The Fund shall be available to the Administrator for the following purposes:

(1) administering and carrying out the Program established by this section;

(2) receiving non-federal and private funds from entities who have specific agreement or contract with the Administrator; and

(3) making refunds for projects that will not be completed.

(f) There shall be deposited into the Fund:

(1) Funds from non-federal and private entities which have a specific agreement or contract with the Administrator and which shall remain in the Fund until expended.

(2) Income from investments made pursuant to subsection (g).

(g) Amounts in the Fund which are not currently needed for the purposes of this section shall be kept on deposit or invested in obligations of, or guaranteed by the United States.

(h) There are hereby appropriated from the Fund such sums as may be necessary to carry out the purposes of this section and to administer the Port Improvement Enterprise Program.

(i) “Administrator” means the Administrator of the Maritime Administration in the Department of Transportation.

SEC. 13. MARINE WAR RISK INSURANCE

Section 53912 of Title 46, United States Code, is amended by striking “December 31, 2010” and inserting “December 31, 2015”.

SEC. 14. TAX RELIEF FOR U.S. CITIZEN MERCHANT MARINERS SERVING ON LIQUEFIED NATURAL GAS VESSELS OPERATED UNDER THE REGISTRY OF A FOREIGN COUNTRY

(a) IN GENERAL. Subsection (d) of section 911 of the Internal Revenue Code of 1986 (relating to definition of qualified individual) is amended by re-designating paragraph (9) as paragraph (10) and by inserting after paragraph (8) the following new paragraph:

“(9) SPECIAL RULE FOR U.S. CITIZEN MERCHANT MARINERS SERVING ON LIQUEFIED NATURAL GAS (LNG) VESSELS OPERATED UNDER THE REGISTRY OF A FOREIGN COUNTRY-

“(A) IN GENERAL. The term ‘qualified individual’ includes an individual who—

“(i) is a citizen or resident of the United States;

“(ii) is licensed or certified by the United States Coast Guard as a merchant mariner; and

“(iii) is serving on a Liquefied Natural Gas vessel operated under the registry of a foreign country.

“(iv) submits to the Internal Revenue Service documentation satisfactory to the Internal Revenue Service verifying the vessel the individual served on.

“(B) FOREIGN EARNED INCOME. For purposes of this paragraph, in lieu of subsection (b)(1)(A), the term ‘foreign earned income’ means the earned income attributable to services performed as a merchant mariner on board an Liquefied Natural Gas vessel by an individual described in subparagraph (A).”.

(b) EFFECTIVE DATE. The amendments made by this section shall apply to taxable years beginning after the date of the enactment of this Act.

Section-By-Section Analysis

Section 1. Short Title.

Section 1 states the short title, the “Maritime Administration Enhancement Act of 2009.” (Act).

Section 2. Authorization of Appropriations for Fiscal Year 2009.

Section 2 describes the President’s Budget request for the Maritime Administration for Fiscal Year 2009.

Section 3. Donations of Non-Retention Vessels to Foreign Governments for Use as Training Vessels.

Section 3 provides the Maritime Administration with authority to transfer interests in non-retention Government vessels to foreign Governments for use as training vessels only, upon the request of a foreign Government subject to such terms and conditions as determined by the Agency. Foreign governments have asked the Maritime Administration to receive a non-retention vessel from our NDRF so it can be used by cadet mariners for static training purposes.

Non-retention vessels are vessels that have been determined to be of insufficient value to the United States to merit further preservation by the United States. Such an approach is consistent with the Maritime Administration's existing authority to transfer vessels to States, Commonwealths, and nonprofit organizations. This provision authorizes the Maritime Administration various types of transfers, i.e. donations, leases, use agreements, etc, of less than absolute title. Additionally, authorizing the Maritime Administration to transfer vessels to foreign Governments will relieve Congress of the need to permit such transfers on an ad hoc basis. This provision applies only to non-retention vessels and has the added potential benefit of saving the Maritime Administration the cost of disposing these vessels.

Section 4. Disposal of Non-retention Government Vessels.

Section 4 establishes a priority system for disposal of vessels and requires the Secretary to provide a report to Congress on the progress of disposal not later than one year after enactment, and every six months thereafter.

Section 5. Distribution of Proceeds from the Sale of Non-retention Vessels in the National Defense Reserve Fleet.

Section 5 updates the relevant statute to reflect the recent recodification of the Merchant Marine Act of 1936 into Title 46, United States Code. It also allows the Maritime Administration to deposit proceeds received from the sale of non-retention vessels into the Vessel Operations Revolving Fund (VORF). This section describes how

such funds can be expended once deposited and authorizes the use of such funds for the National Defense Reserve Fleet (NDRF), State Maritime Academies, and the United States Merchant Academy. Finally, this provision repeals subparagraphs (b) and (c) of section 5405 because all of the information previously described in three subparagraphs is now contained in one paragraph.

Section 6. Reserve Training Compliance and Armed Forces Performance Reporting Requirement for United States Merchant Marine Academy Graduates.

Section 6 amends section 51306 of title 46, United States Code, regarding commitment agreements entered into by United States Merchant Marine Academy (USMMA, Academy) upon graduation of an individual. Individuals executing service agreements after the effective date of this Act are required to serve eight (8) years of reserve service in either the Selective Reserve or the Individual Ready Reserve. In addition, this provision requires future graduates, who leave active duty prior to the completion of their five (5) year commitment, to remain in the Individual Ready Reserve until their total service commitment equals eight (8) years.

This provision makes these individuals more useful to the Armed Forces of the United States and makes the service requirement for the duration of reserve duty in Title 46 consistent with the service requirement for reserve duty in Title 10, eight years. However, the provision authorizes the Secretary of the Department in which a graduate's reserve duty is being served to make reasonable efforts to adjust the reserve duties of graduates employed in a Maritime Administration approved sailing position afloat.

Section 7. Collection of Cost of Tuition and Student Incentive Payments from Certain Graduates Defaulting on Service Obligations.

Section 7 allows the USMMA and State maritime academies to retain reimbursement from defaulted graduates that fail to comply with their service obligations. To date, \$125,000 has been collected. This provision advances the mission of the USMMA and State maritime academies by recouping costs expended and allowing these recoveries to be used for these programs.

Section 8. Temporary Program Authorizing Contracts With Adjunct Professors at the United States Merchant Marine Academy.

The USMMA uses between twenty and twenty-five adjunct professors during any one academic trimester (three trimesters per academic year). As part of regularizing its budget submission process, the USMMA proposes to transition most of these adjunct professors to employees of the USMMA, with some adjunct professors being governed by contracts not involving direct supervision by USMMA employees. This proposal would clarify the USMMA's authority to retain the adjunct professors under existing contracts until their employment is transitioned. The proposal is revenue neutral.

Section 9. Amendment to Vessel Operations Revolving Fund.

Section 9 authorizes the Maritime Administration to deposit insurance proceeds and recoveries resulting from accident litigation and arbitration awards from third parties into the VORF. This provision allows the Maritime Administration to use all of the proceeds from such recoveries for the NDRF. Similar authority is contained in the revolving funds of other federal agencies.

At present, when another vessel collides with an NDRF vessel, the Agency must find funding to repair its damaged vessel. Such funding is often found at the expense of the readiness status of another portion of the NDRF. Although the Maritime Administration must expend funds in litigation to obtain recoveries from the parties damaging its vessels, all recoveries from litigation, including these litigation expenses, must be deposited into the Treasury as miscellaneous receipts, after repayment to the Department of Justice (DOJ) for the costs of litigation.

Section 10. State Maritime Academies.

Section 10 authorizes the Secretary to waive the United States Coast Guard (USCG) licensing exam requirement as a condition for graduation from a State maritime academy to accommodate individuals with disabilities. This provision increases student incentive payments (SIP) from \$4,000 to \$8,000 per academic year and the service obligations for students receiving SIP from 6 to eight 8 years, with respect to time in the reserves and USCG licensing. The grace period to withdraw from SIP is reduced from 2 years to 1 year. This provision authorizes the Secretary to use unobligated SIP funds for fuel costs in training vessels.

The Presidents of the State Academies indicated that there was a need for this waiver authority in order for the Federal program to be able to accommodate, when necessary, State imposed graduation requirements. SIP payments can be used to cover the costs of uniforms, books and subsistence, which includes tuition. This provision also clarifies those students who executed their student incentive agreements before the effective date of this Act are likewise entitled to a SIP of \$8,000 per year. Officials involved in the reserves at State Academies requested this proposal in order to bring the service obligations in Title 46 in line with the service obligations for reservists under Title 10. Under Title 10, reservists must service eight years and maritime reservists must maintain their USCG licenses for the period of time they are in the reserves.

Section 11. Construction and Reconstruction of Replacement Vessels for State Maritime Academies.

Section 11 implements a schoolship replacement program at State maritime academies, which would allow vessels to be constructed, reconstructed, and outfitted and equipped with modern technology for missions relating to national security, defense and emergency response. The schoolship replacement program is subject to the availability of appropriations.

Section 12. Authority to Establish Port Improvement Enterprise Program.

Section 12 authorizes the Secretary, through the Maritime Administrator, to develop and administer a program for the improvement of port facilities (the "Port Improvement Enterprise Program"). The program is subject to the availability of appropriations. Any amounts appropriated, or otherwise made available for any fiscal year for an intermodal or marine facility comprising a component of the Port Improvement Enterprise Program, will be transferred to and administered by the Maritime Administrator. The new Port Improvement Enterprise Program is not intended to transfer or replace the Port Security Grant Program currently administered by the Department of Homeland Security as its primary purpose is not security-related. Rather, the new Program seeks to coordinate and facilitate the improvement of port infrastructure.

In carrying out the requirements of this section, the Maritime Administrator shall seek to coordinate all reviews or requirements with relevant and appropriate local, state, or federal agencies. The Administrator shall also provide technical assistance to port authorities or commissions as needed for project planning, design, and construction. The Administrator shall encourage such public/private partnerships as may be necessary for the development or financial support of the project as he deems necessary. The Administrator is authorized to set aside 3% from such authorized appropriations to defray administrative expenses.

Eligible intermodal or marine facilities are deemed eligible to be an intermodal surface freight transfer facility for the purposes of section 181(8)(D) of title 23, United States Code. In developing the Port Improvement Enterprise Program, the Maritime Administrator shall coordinate with appropriate agencies to expedite the environmental review process for improvement of port facilities.

To facilitate public/private partnerships, the Maritime Administrator may receive from non-federal and private entities, which have a specific agreement or contract with the Maritime Administration, specific funds provided for Program. Such non-federal and private entity funds will be deposited into a newly created fund at the U.S. Treasury called the Port Improvement Enterprise Fund.

Section 13. Marine War Risk Insurance.

Section 13 extends war risk insurance authority under section 53912 until December 31, 2015. The Maritime Administration administers a War Risk Insurance Program under 46 U.S.C. 53901 *et seq.* If commercial war risk insurance is not available on reasonable terms and conditions from commercial insurance companies, then the Secretary, with the approval of the President, may provide two basic types of insurance: (1) written for commercial vessels that are deemed necessary to move cargo for a national emergency, and if a vessel was damaged or lost, the claim is paid out of the Department's funds; and (2) written for both U.S. and foreign flag commercial vessels that are under charter to the military, and if a vessel were damaged or lost, the DOD

indemnifies the Department for payment of the claim. The latter authority under 46 U.S.C. 53912 expires December 31, 2010.

It is important that war risk insurance authority under Section 53912 not be permitted to lapse. During *Operation Desert Shield / Desert Storm*, 388 U.S. and foreign commercial flag vessels were covered by section 53912 war risk insurance, with an estimated cost saving to the U.S. taxpayer of \$436 million. During *Operation Enduring Freedom / Iraqi Freedom*, 126 U.S. and foreign commercial flag vessels were covered under section 53912 war risk insurance. It should be noted that historically over \$10 billion in insurance has been provided under Section 53912.

Section 14. Tax Relief for U.S. Citizen Merchant Mariners Serving on Liquefied Natural Gas Vessels Operated Under the Registry of a Foreign Country.

Section 14 provides tax relief only for U.S. citizen merchant mariners serving on Liquefied Natural Gas (LNG) vessels operated under the registry of a foreign country; one certain documentation requirements satisfactory to the Internal Revenue Service have been met. This provision reinforces the tax incentives enacted in 2004 to reduce the significant competitive disparity in tax burdens by granting limited tax relief to certain merchant mariners.

Most major maritime nations, including traditional maritime nations with developed economies similar to our own (European Union nations) and flag-of-convenience nations, either do not tax or sharply reduce taxes on the income of their mariners in international shipping. Seafarers on U.K.-flag vessels, for example, are granted a complete tax rebate for income earned on vessels in international trade, if they do not reside or work at home for more than six months.

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